Cancorp

File

MAHER SHOES LIMITED

ANNUAL REPORT

January 3rd, 1976

MAHER SHOES LIMITED

JAMES R. GILLIES, C.A.
Vice-President and Treasurer
9 Sunlight Park Rd.
P.O. Box 110
Postal Station G
Toronto, Ontario M4M 3G8

Phone (416) 461-
Telex 06-21772

PRESIDENT'S MESSAGE TO THE SHAREHOLDERS

Maher sales increased a further 7% during 1975, with net income returning to more acceptable levels as a result of this gradual development. Key operating statistics showed progressive improvement.

Sales increased 17.9% from continuing stores and sales productivity per square foot increased 17%. These increases were a result of strong performances in the two largest areas of activity – the western division, which enjoyed another outstanding year, and the continuing improvement in the large Maher division.

The operating year of 1975 was characterized by opening 14 new stores and closing 28 stores. Some of the sales impact of these close-outs was transferred to the Barcley-Lanes partnership, a non-consolidated investment.

Increasing attention was focused during the year upon the control of debt levels and special programs designed to improve inventory turnover in each division. We expect further improvement in the coming year, as we continue to strengthen the quality of our operations.

Ten to twelve new stores will be opened in 1976, and we are continually seeking additional opportunities to further enhance our profit and long term corporate goals.

We look forward with confidence to a good year for the company in 1976 given a reasonable continuation of the present atmosphere in consumer spending.

March 12, 1976

Thomas P. Wilson
President

MAHER SHOES LIMITED

(Incorporated under the laws of Ontario)
and subsidiary company

CONSOLIDATED BALANCE SHEET

ASSETS

	January 3, 1976	December 31, 1974
CURRENT ASSETS		
Cash	$ 818,000	$ 79,000
Accounts receivable	289,000	201,000
Inventories	7,560,000	8,369,000
Income taxes recoverable	—	264,000
Current portion of mortgages receivable	—	271,000
Prepaid expenses	171,000	186,000
	8,838,000	9,370,000
MORTGAGES RECEIVABLE	39,000	66,000
INVESTMENT IN BARCLEY-LANES SHOES	257,000	
FIXED ASSETS		
Building	116,000	116,000
Fixtures, equipment and leasehold improvements	6,053,000	5,945,000
	6,169,000	6,061,000
Less accumulated depreciation	2,405,000	2,245,000
	3,764,000	3,816,000
Land	38,000	38,000
	3,802,000	3,854,000
	$12,936,000	$13,290,000

Approved by the Board

G. R. CHATER, *Director*

T. P. WILSON, *Director*

LIABILITIES

	January 3, 1976	December 31, 1974
CURRENT LIABILITIES		
Bank advances	$ —	$ 4,364,000
Accounts payable and accrued liabilities	1,939,000	1,415,000
Income and other taxes payable	455,000	240,000
Payable to parent, Grafton-Fraser Limited	2,524,000	—
Dividends payable	—	24,000
Principal due within one year on long term debt	72,000	46,000
	4,990,000	6,089,000
LONG TERM DEBT (note 2)		
6¾ % Sinking fund debenture, series A, maturing April 1, 1987, less current portion	1,203,000	1,279,000
DEFERRED INCOME TAXES	318,000	257,000
SHAREHOLDERS' EQUITY		
CAPITAL STOCK		
Authorized		
156,675 60¢ Cumulative, non-redeemable preference shares without par value		
400,000 Common shares without par value		
Issued		
156,666 Preference shares	1,413,000	1,413,000
209,900 Common shares	1,231,000	1,231,000
	2,644,000	2,644,000
RETAINED EARNINGS	3,781,000	3,021,000
	6,425,000	5,665,000
	$12,936,000	$13,290,000

Long term leases (note 3)

MAHER SHOES LIMITED

and subsidiary company

CONSOLIDATED STATEMENT OF INCOME

	Year ended January 3, 1976	Year ended December 31, 1974
Sales	✓ $29,359,000	✓ $27,440,000
Costs and expenses before the undernoted	26,637,000	25,039,000
Depreciation	556,000	531,000
Debenture interest and expense	90,000	95,000
Other interest	371,000	574,000
	27,654,000	26,239,000
	1,705,000	1,201,000
Share of income of Barcley-Lanes Shoes	18,000	—
Income before income taxes	1,723,000	1,201,000
Income taxes		
Current	808,000	544,000
Deferred	61,000	64,000
	869,000	608,000
NET INCOME FOR THE YEAR	✓ $ 854,000	✓ $ 593,000
EARNINGS PER COMMON SHARE (after providing for annual dividends on preference shares)	✓ $ 3.62	✓ $ 2.38

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Year ended January 3, 1976	Year ended December 31, 1974
BALANCE AT BEGINNING OF YEAR	$ 3,021,000	$ 2,606,000
Net income for the year	854,000	593,000
	3,875,000	3,199,000
Dividends		
Preference shares	94,000	94,000
Common shares	—	84,000
	94,000	178,000
BALANCE AT END OF YEAR	$ 3,781,000	$ 3,021,000

MAHER SHOES LIMITED

and subsidiary company

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year ended January 3, 1976	Year ended December 31, 1974
WORKING CAPITAL DERIVED FROM		
Operations		
Net income for the year	$ 854,000	$ 593,000
Items not involving working capital		
Depreciation	556,000	531,000
Deferred income taxes	61,000	64,000
Loss (gain) on disposal of fixed assets	42,000	(30,000)
Share of income of Barcley-Lanes Shoes	(18,000)	—
	1,495,000	1,158,000
Decrease in mortgages receivable	27,000	274,000
Proceeds from sale of fixed assets	6,000	25,000
Common share subscriptions		155,000
	1,528,000	1,612,000
WORKING CAPITAL APPLIED TO		
Additions to fixed assets	739,000	992,000
Dividends	94,000	178,000
Reduction of non-current portion of long term debt	76,000	46,000
Investment in Barcley-Lanes Shoes net of fixed assets of $187,000 transferred to partnership at fair market value	52,000	—
	961,000	1,216,000
INCREASE IN WORKING CAPITAL	567,000	396,000
WORKING CAPITAL AT BEGINNING OF YEAR	3,281,000	2,885,000
WORKING CAPITAL AT END OF YEAR	$ 3,848,000	$ 3,281,000

MAHER SHOES LIMITED

and subsidiary company

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended January 3, 1976

1. SUMMARY OF ACCOUNTING POLICIES

(a) Basis of consolidation
The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary company, Copp The Shoe Man Limited.

(b) Inventories
Inventories are valued at the lower of cost and net realizable value.

(c) Investment in Barcley-Lanes Shoes
Barcley-Lanes Shoes is a partnership formed during the year, 50% of which is owned by the Company and the other 50% is owned by Savage Shoes (1970) Limited. The Company's share of the earnings of the partnership, which operates retail shoe stores, has been included in these financial statements on an equity basis.

(d) Fixed assets
Fixed assets are stated in the accounts at cost. Depreciation charged to operations is based on the following:

Building	2½ % straight line
Fixtures and equipment	10% straight line
Leasehold improvements	10% straight line

It is the Company's policy to remove from the accounts the cost and accumulated depreciation of fully depreciated fixed assets.

(e) Income taxes
The Company charges earnings with income taxes currently payable and also with income taxes deferred by claiming certain costs for income tax purposes in excess of related costs charged to income. The accumulated total of such income tax deferments is reflected in the consolidated balance sheet as "Deferred income taxes".

2. LONG TERM DEBT
The 6¾ % sinking fund debenture is secured by a first floating charge on the assets of the Company. The more significant of the covenants of the Trust Deed restrict the Company from reducing consolidated working capital below $1,000,000 and from paying dividends on common shares if such payments would reduce consolidated working capital below $1,250,000.
At January 3, 1976, the Company had a sinking fund credit sufficient to meet $4,000 of the $76,000 payment due in the year ending January 1, 1977. The payments required in 1977 and subsequent years average approximately $106,000 per annum to April, 1987, the date of maturity.

3. LONG TERM LEASES
At January 3, 1976, the Company has entered into long term leases on retail outlets for periods expiring between 1976 and 1998. From the balance sheet date, these leases provide for minimum annual rentals over the next five years of approximately $1,679,000, exclusive of taxes, percentage rentals and other related occupancy costs.

4. PENSION PLAN
Current service pension costs are charged to operations each year. Past service costs are being amortized over 14 years. At January 3, 1976, the actuarially computed present value of the Company obligations for unfunded past service costs to the Maher Pension Plan approximated $450,000 after deducting $47,000 charged to operations in the year ended January 3, 1976.

5. CHANGE IN YEAR END
During the year, the Company changed its year end from December 31 to the first Saturday in January.

6. OTHER STATUTORY INFORMATION
Remuneration of directors and senior officers amounted to $229,000 (1974 – $192,000)

7. ANTI-INFLATION LEGISLATION
The Company is subject to the Anti-Inflation Act which provides, as from October 14, 1975 for the restraint of profit margins, prices and compensation. The provisions of this Act should have no significant effect on the Company's earnings for the year ended January 3, 1976.

AUDITORS' REPORT

To the Shareholders of Maher Shoes Limited

We have examined the consolidated balance sheet of Maher Shoes Limited and subsidiary company as at January 3, 1976 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination of Maher Shoes Limited included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. For Copp The Shoe Man Limited, the subsidiary company, we have relied on the report of the auditors who have examined their financial statements.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at January 3, 1976 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The figures for 1974, included for comparative purposes, are based on the financial statements of that year, which were reported on by other chartered accountants.

Toronto, Canada

March 1, 1976.

Thorne Riddell & Co.

Chartered Accountants

Cancorp

MAHER SHOES LIMITED

INTERIM REPORT TO SHAREHOLDERS

Six Periods Ended July 3rd, 1976

TO THE SHAREHOLDERS:

For the six months ended July 3rd, 1976, company sales increased 9.5% to $13,786,000 from $12,588,000 for the corresponding period last year. Operations in the period under review resulted in a net loss of $28,000 this year, compared to a net profit of $133,000 last year.

The reduced profit performance in the first half this year has resulted from an overall company sales increase that was insufficient to offset the pressures being exerted by increased overhead and operating costs, and from reduced gross margins from additonal markdowns in liquidating excessive spring and summer inventories.

We are encouraged by the continued improvement of our largest division, the Maher stores, which has enjoyed another significant sales and profit increase through the first half and, traditionally, the second half of the fiscal year produces much greater sales and earnings for the entire company.

Toronto, Canada
August 12, 1976.

T. P. Wilson,
President.

Share profit in both years is after preferred dividends, he said.
Geo. Linton.

CONSOLIDATED STATEMENT OF EARNINGS
(UNAUDITED)

	SIX PERIODS ENDED	
	July 3, 1976	July 5, 1975
Sales	$13,786,000	$12,588,000
Earnings from operations before the following charges	447,000	790,000
Depreciation and Amortization	303,000	274,000
Interest on Short Term Debt	159,000	201,000
Interest on Debentures	41,000	47,000
	503,000	522,000
Earnings (Loss) Before Income Taxes	(56,000)	268,000
Income Taxes (Refundable)	(28,000)	135,000
Net Earnings (Loss)	$ (28,000)	$ 133,000
Earnings (Loss) per Common Share	$ (0.36)	$ 0.41

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
(UNAUDITED)

	SIX PERIODS ENDED July 3, 1976	SIX PERIODS ENDED July 5, 1975
Working Capital Derived From:		
Net (Loss) Earnings for the Period	$ (28,000)	$ 133,000
Add Depreciation and other charges not involving Working Capital	356,000	300,000
Total Funds from Operations	328,000	433,000
Proceeds from Sale of Fixed Assets	—	6,000
Total Funds Provided	328,000	439,000
Working Capital Applied To:		
Fixtures, Equipment and Leasehold Improvement Additions	349,000	151,000
Dividends	47,000	47,000
Reduction in Non-Current Portion of Long Term Debt	3,000	4,000
Investment in Joint Venture	—	52,000
Total Funds Applied	399,000	254,000
Increase (Decrease) in Working Capital	(71,000)	185,000
Working Capital, Beginning of Period	3,848,000	3,281,000
Working Capital, End of Period	$ 3,777,000	$ 3,466,000